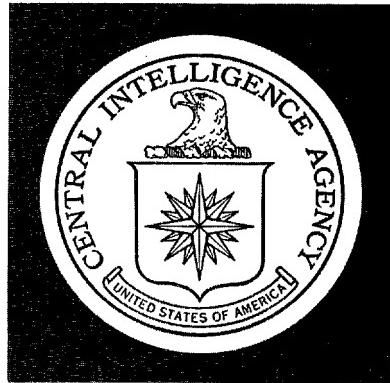


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State Department review completed

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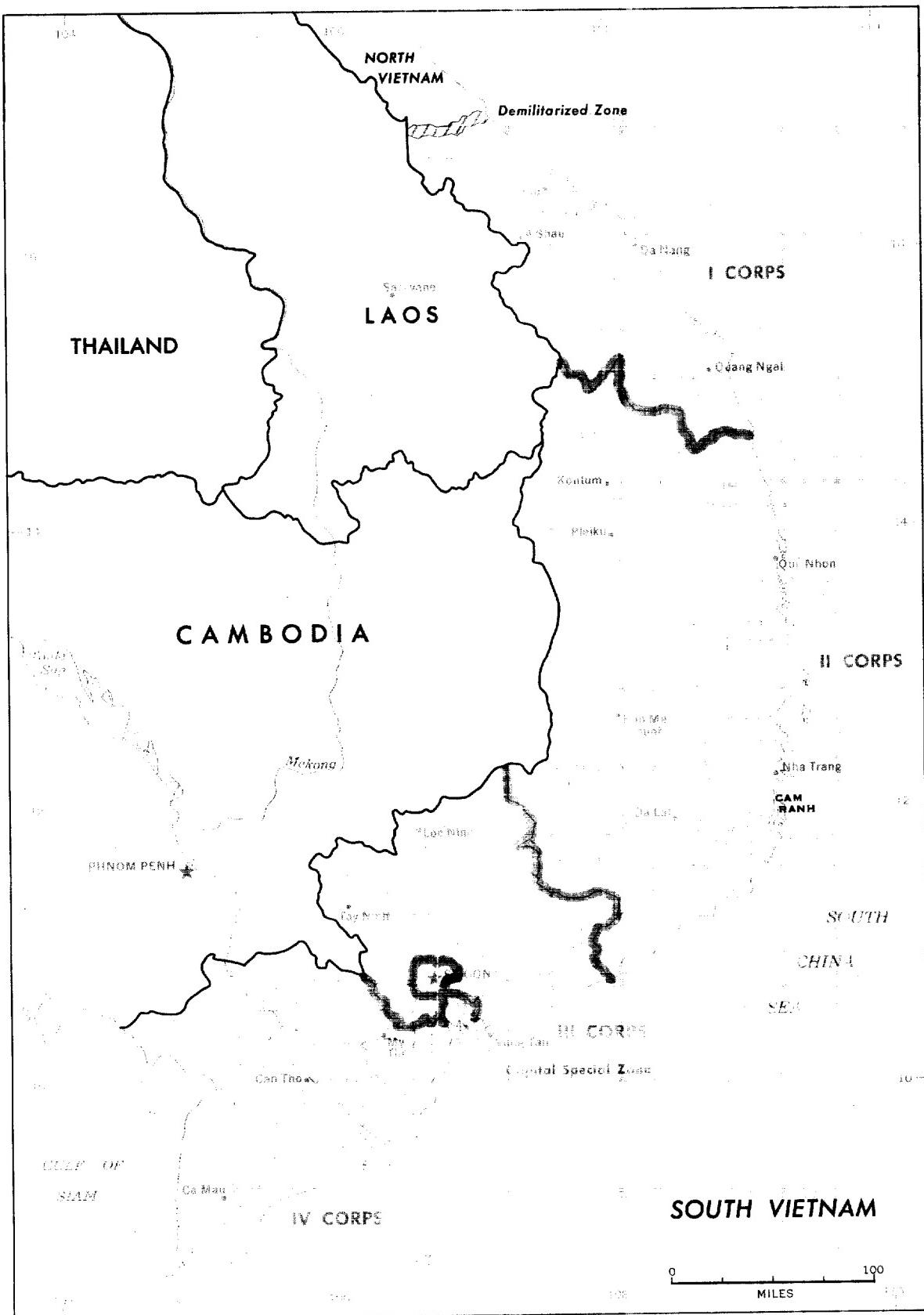
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[Vietnam: The tempo of the ground fighting was low on 18-19 December, but small-scale clashes were reported in almost all major corps areas.

Continued shellings of allied positions along the Cambodian border are a possible cover for infiltration through this region and the enemy deployments in this area make it possible for the Communists to initiate offensive activity at any time.

* * * *

The Viet Cong broadcast on prisoner releases is one of the most direct moves the Communists have ever made to get the US to deal directly with the Liberation Front.

The broadcasts hold out the prospect of additional prisoner releases if arrangements are conducted to Communist satisfaction. The Communists have released US prisoners in the South in the past without any effort to contact US authorities. They have now decided, however, that release of prisoners is a good device to use to get the US into direct contact with the Viet Cong and to flaunt the Front's alleged independence and authority.

The issue could also be used by the Front delegation in Paris to try to move the peace talks off dead center with or without Saigon. The way the new announcement was handled, however, suggests that, at least initially, the Communists are primarily interested in using this ploy to build up the image of the Front. The radio announcement recommended that US authorities reply through open radiobroadcasts. Hanoi may also calculate that direct battlefield conversations about prisoners could set a precedent for eventually discussing other matters at this level, including local truces.

(Map)]

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South Korea: Massive security operations along the east coast have thus far neutralized about three fourths of the armed agents who landed seven weeks ago.

[North Korean losses are now 83 killed and seven captured, while 56 South Koreans have been killed and 52 wounded. Survivors from the estimated 120 original agents appear to be moving north in small groups in an attempt to escape across the Demilitarized Zone. On 19 December, seven of these agents are reported to have been killed just 28 miles south of the zone.]

The South Korean Government already has moved to counter any adverse domestic effects of the armed incursion. Relief is being extended to civilians who have suffered. In the security field, measures are being taken to correct deficiencies discovered in the counterinfiltration program during the present operation. [redacted]

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USSR - European Communities: The USSR is moving ahead with "official but discreet" contacts with the Commission of the European Communities (EC).

The first secretary of the Soviet Embassy in Brussels made his second call on a commission official in the past six weeks on 13 December. According to an EC source, the Soviet diplomat made it clear on this occasion that he was operating under instructions. The Soviet official said that the USSR now is taking a more realistic attitude toward the EC after past efforts to ignore it and then sharply criticizing it.

He inquired about EC commercial policy and noted the problems that it could create for Soviet trade with Common Market countries and firms. In view of the EC's planned development of a common commercial policy, the Soviets may see these contacts as the groundwork for more formal trade discussions.

Although the Soviets have been less negative in their press treatment of the EC recently, their concern over a large step-up in East European trade with the EC remains. The Soviet diplomat inquired about recent discussions between the EC and Yugoslavia and indicated that Moscow hoped Belgrade would not be receiving special treatment from the EC. The Soviets will probably use their own low-key contacts with the EC to monitor further Eastern European dealings as well. [redacted]

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Egypt: The Egyptians, apparently warned by Moscow again this year that they must look elsewhere for most of the country's wheat imports, have contracted for a large amount of French wheat for 1969 delivery.

The contract--valued at over \$20 million--calls for the delivery of 470,000 tons of wheat and wheat flour by September 1969. France extended credit terms of up to two years and provided an additional 90,000 tons as a grant. Over the next few months Egypt also may acquire through international brokers an additional 550,000 tons of grain, some of which may be of Eastern European origin.

Since late 1966, Moscow has emphasized its reluctance to replace the US as a major supplier of Egypt's annual import requirements of about two million tons of wheat. Because of Egypt's stringent financial position in 1967, however, Moscow ended up supplying over half of Cairo's wheat imports or roughly the amount annually supplied by the US prior to the break in US-Egyptian relations. In 1968 Egypt met the bulk of its wheat requirements through purchases on the international market. [redacted]

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Guinea: President Toure is increasingly concerned about the loyalty of his army in the wake of the successful military coup in neighboring Mali.

On 18 December all military units in the Conakry area were marched en masse to the presidential palace in a staged demonstration of support for Toure's radical regime. Addressing the troops, Toure announced that legislation was being prepared to make the military "full participants" in Guinea's "socialist revolution." Although he did not reveal details of this latest move, the legislation apparently calls for formal integration of the military into the civil service. Toure indicated that henceforth the army would be engaged extensively in economic development programs.

Earlier this month Radio Conakry had announced that Guinea's single party was studying ways to create increased "political awareness" in the army. Traditionally, Toure has kept close tabs on his professional military through the party's extensive control mechanism.

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Portugal: Premier Caetano has so far not permitted publication of the Portuguese Socialists' manifesto for political reforms which they addressed to him early this week. [Redacted]

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[Redacted] the Socialists hope that from among the many points covered in the statement, they will receive some satisfaction on demands for revision of censorship and electoral laws. Caetano has shown some evidence of flexibility on these two points. [Redacted]

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Nigeria: Sporadic antitax rioting persists in the Western State, where war weariness has been growing among intellectuals of the volatile Yoruba tribe predominant there. Although opposition to federal government tax measures is rooted in genuine economic discontent, there is evidence that a dissident Yoruba political faction is encouraging nonpayment of taxes, reportedly in the hope that the resulting violence will force the federal government to intervene and remove the state military governor. The current ferment in the Western State will encourage the Biafrans in their belief that a prolonged stalemate in the civil war will eventually lead to the disintegration of the federation. [Redacted]

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board, on 19 December 1968, approved the following national intelligence estimates:

NIE 30-2-68	"The Eastern Arab World in the Aftermath of Defeat"	[redacted]	25X1
SNIE 82-68	"Insurgency and Instability in Guatemala"	[redacted]	25X1

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